

# SINTERCAST

SHARE PRICE (SEK): 80,00

NASDAQ OMX Small Cap

Industrials

- Low quarter of temporary nature
- Two new engines gives long-term potential
- Q2 estimates lowered

**Low quarter of temporary nature.** Sintercast reported net sales of SEK 13.9 million (16.1), corresponding to a decrease of 13.7%. This was 16.2% below our forecast, in which we estimated net sales of SEK 16.6 million. The annualised number of engine equivalents came in 4.8% below expectations at 2.0 million, against our projected 2.10 million. The number of sampling cups was 28,700 (36,100), representing a decrease of 20.5% from the previous year and falling short of our forecasted 35,000. The lower volume of sampling cups compared to last year is attributed to inventory adjustment and variation in shipment timings among Sintercast's customers. Sintercast reported operating profit of SEK 2.8 million (4.6), which is equivalent to a margin of 20.1% (28.6). We had projected an operating profit of SEK 4.6 million and a margin of 27.8%. The lower profit is a function of the quarter's low volumes of engine equivalents and reduced volumes of sampling cups, for which the company has higher margins.

**Two new engines gives longer-term potential.** The lower number of engine equivalents in the quarter is explained mainly by lower volumes from three programmes, including the VM Motori 3-litre diesel programme for FCA, with model year 2017 having not yet been authorised and awaiting emissions approval in the US. Management believes this is a temporary dip, and anticipates a recovery of these programmes. However, we believe the impact of these declines can be expected in the second quarter as well. Sintercast has previously communicated that Jiangling Motors Corporation has won approval for a new truck with two CGI options using Sintercast's process control technology, one 9-litre and one 13-litre. The trucks will be sold primarily in the Chinese market and bring major opportunities for Sintercast, but it must be remembered that ramp-up times are often protracted. In addition, the company believes that its pipeline is good, and a number of installation discussions are ongoing.

**Q2 estimates lowered.** Given the above, we have chosen to downwardly adjust our sales forecast for Q2 by 5.9% and our EBIT forecast by 12.0%.

## COMPANY DESCRIPTION

SinterCast is the world leading supplier of on-line process control technology and know-how for the reliable high-volume production of Compacted Graphite Iron (CGI). The company provides CGI solutions to the world foundry and automotive industries. SinterCast is a publicly listed company on the NASDAQ OMX Stockholm Stock Exchange.

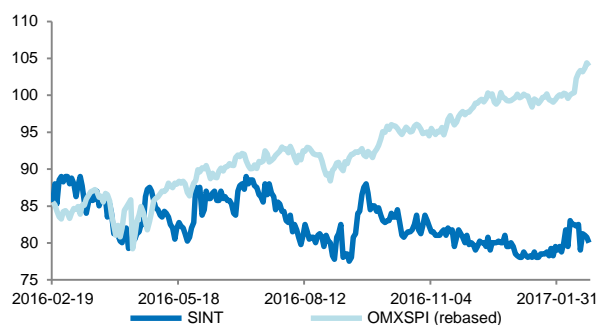
Analyst: Carl Ragnerstam  
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KEY DATA		SHARE PERFORMANCE	
Market Capitalization (MSEK)	568,0	1 month (%)	0,3
Net Debt (MSEK)	-49,4	3 month (%)	-4,7
Enterprise Value (MSEK)	518,6	12 months (%)	-10,0
Equity ratio(%)	90,5	YTD (%)	-0,9
No of shares.(mn)	7,1	52-V High	90,0
No of shares (dil.mn)	7,1	52-V Low	77,5
Free Float (%)	88,6	Ticker	SINT

	2015A	2016A	2017E	2018E
Sales (MSEK)	72,4	75,4	73,4	78,3
EBITDA (MSEK)	21,1	27,4	24,3	30,7
EBIT (MSEK)	20,3	26,4	22,9	28,9
EBT (MSEK)	24,9	25,8	23,4	29,3
EPS (just. SEK)	3,6	3,8	3,3	4,1
DPS (SEK)	3,5	4,0	3,9	4,0
Sales growth (%)	32,8	4,1	-2,6	6,7
EPS growth (%)	107,3	4,1	-12,7	25,0
EBIT-margin (%)	28,0	35,0	31,2	36,9

	2015A	2016A	2017E	2018E
P/E (x)	24,3	21,7	24,6	19,7
P/BV (x)	6,7	6,1	6,3	6,2
EV/Sales (x)	8,0	7,1	7,2	6,7
EV/EBITDA (x)	27,3	19,5	21,6	17,1
EV/EBIT (x)	28,4	20,3	22,9	18,2
Div. Yield (%)	4,0	4,9	4,8	4,9

## STOCK PERFORMANCE



Source: Infront, company reports, Remium Nordic, Holdings

MAJOR SHARHOLDERS	CAPITAL	VOTES
Avanza Pension	11,4%	11,4%
UBS AG Client	11,2%	11,2%
Nordnet Pension	9,0%	9,0%
Lars Ahlström	6,1%	6,1%

MANAGEMENT		FINANCIAL CALENDER	
Chairman	Hans-Eric Andersson	2Q-rapport	2017-08-23
CEO	Steve Dawson	3Q-rapport	2017-11-22
CFO	Daphner Uhmeier		

**INCOME STATEMENT**

MSEK	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17E	3Q17E	4Q17E	2014A	2015A	2016A	2017E	2018E	2019E
Sales	16,1	18,3	23,8	17,2	13,9	17,4	23,7	18,4	54,5	72,4	75,4	73,4	78,3	80,5
COGS	-3,2	-4,5	-5,4	-3,5	-3,1	-4,2	-5,5	-3,7	-18,2	-17,0	-16,6	-16,5	-16,8	-16,9
Gross revenue	12,9	13,8	18,4	13,7	10,8	13,2	18,2	14,7	40,8	55,4	58,8	56,9	61,5	63,6
Operating costs	-8,0	-8,1	-7,0	-8,7	-7,7	-8,4	-7,1	-9,0	-29,8	-34,3	-31,4	-32,6	-30,7	-31,6
EO-costs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	4,9	5,7	11,4	5,0	3,1	4,8	11,1	5,7	11,0	21,1	27,4	24,3	30,7	31,9
Depreciation	-0,3	-0,3	-0,2	-0,2	-0,3	-0,4	-0,4	-0,4	-0,8	-0,8	-1,0	-1,4	-1,8	-1,9
EBIT	4,6	5,8	11,2	4,8	2,8	4,4	10,7	5,3	10,2	20,3	26,4	22,9	28,9	30,1
Net financials	0,1	-0,8	-0,2	0,3	0,2	0,1	0,1	0,1	1,3	4,6	-0,6	0,5	0,4	0,4
EBT	4,7	5,0	11,0	5,1	3,0	4,6	10,8	5,4	11,5	24,9	25,8	23,4	29,3	30,5
Tax & minorities	0,0	1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,9	0,8	1,0	0,0	0,0	0,0
Net result	4,7	6,0	11,0	5,1	3,0	4,6	10,8	5,4	12,4	25,7	26,8	23,4	29,3	30,5
EPS bef. dil. (SEK)	0,66	0,85	1,55	0,72	0,42	0,64	1,52	0,76	1,75	3,62	3,77	3,30	4,12	4,29
EPS aft. dil. (SEK)	0,66	0,85	1,55	0,72	0,42	0,64	1,52	0,76	1,75	3,62	3,77	3,30	4,12	4,29
Sales Growth Q/Q	-6%	14%	30%	-28%	-19%	25%	36%	-22%	N/A	N/A	N/A	N/A	N/A	N/A
Sales Growth Y/Y	-14%	16%	16%	0%	-14%	-5%	-1%	7%	5%	33%	4%	-3%	7%	3%
Adj. EBITDA margin	30%	31%	48%	29%	22%	27%	47%	31%	20%	29%	36%	33%	39%	40%
Adj. EBIT margin	29%	32%	47%	28%	20%	25%	45%	29%	19%	28%	35%	31%	37%	37%
Adj. EBT margin	29%	27%	46%	30%	22%	26%	46%	29%	21%	34%	34%	32%	37%	38%

**CASH FLOW**

MSEK	2014A	2015A	2016A	2017E	2018E	2019E
Cash flow b.f. ch. in work.cap.	11	21	27	25	31	32
Change in working capital	-4	-1	-2	-1	0	0
Cash flow from operating activities	7	20	25	24	31	32
Cash flow from investments	-1	-2	-3	-3	-2	-2
Free Cash Flow	5	19	22	20	29	30
Cash flow from financing	-9	-16	-25	-28	-27	-28
Net Cash Flow	-3	3	-3	-8	2	2

**PER SHARE DATA & RETURN ON CAPITAL**

SEK	2014A	2015A	2016A	2017E	2018E	2019E
EPS	1,75	3,62	3,77	3,30	4,12	4,29
Adj. EPS	1,75	3,62	3,77	3,30	4,12	4,29
BVPS	12,47	13,15	13,49	12,84	13,11	13,40
CEPS	0,94	2,88	3,58	3,31	4,43	4,50
DPS	2,20	3,50	4,00	3,85	4,00	4,80
ROE	14%	28%	28%	26%	31%	32%
Adj. ROE	14%	28%	28%	26%	31%	32%
Solidity	91%	88%	89%	88%	87%	87%

**BALANCE SHEET**

MSEK	2014A	2015A	2016A	2017E	2018E	2019E
Intangible Assets	2	4	5	7	7	7
Cash and cash equivalent	45	48	45	37	40	42
Total Assets	97	106	108	104	106	109
Equity	88	93	96	91	93	95
Net Debt	-45	-48	-45	-37	-40	-42
Net Working Capital	60	72	74	80	80	81

**SHARE STRUCTURE**

SHARE STRUCTURE		COMPANY CONTACT	
No. of A-shares (m)	-	Box 10203	
No. of B-shares (m)	7,1	100 55 Stockholm	
Total no. of shares (m)	7,1	+46 (0)8 660 77 50	
		www.sintercast.com	

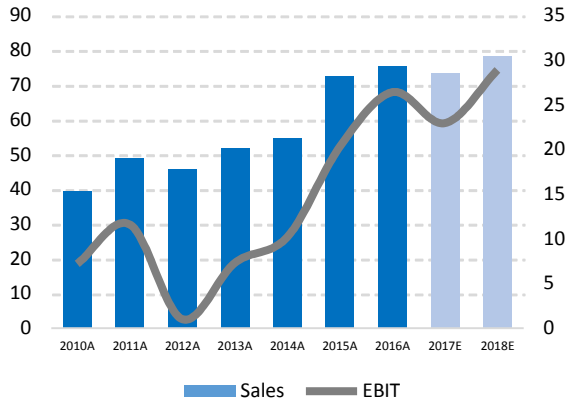
Sources: Infront, Company reports, Remium Nordic

**ESTIMATE CHANGES**

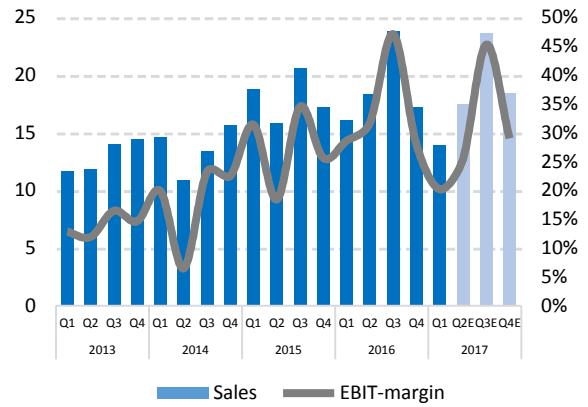
MSEK	1Q 2017A			2017E			2018E			
	Estimate	Actual	Diff (%)	Bef	Now	Diff (%)	Bef	Now	Diff (%)	
Sales		16,6	13,9	-16%	77,5	73,4	-5%	83,4	78,3	-6%
EBIT		4,6	2,8	-39%	25,7	22,9	-11%	31,6	28,9	-9%
Adj. EPS (SEK)		0,7	0,4	-37%	3,7	3,3	-11%	4,5	4,1	-9%

**INCOME STATEMENT**

**SALES & EBIT, Y/Y (MSEK)**

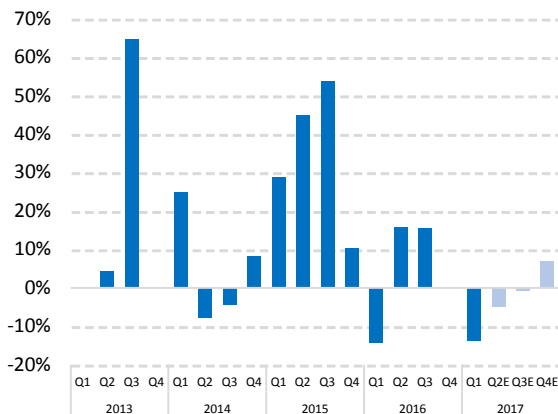


**SALES & EBIT-MARGIN, Q/Q (MSEK)**

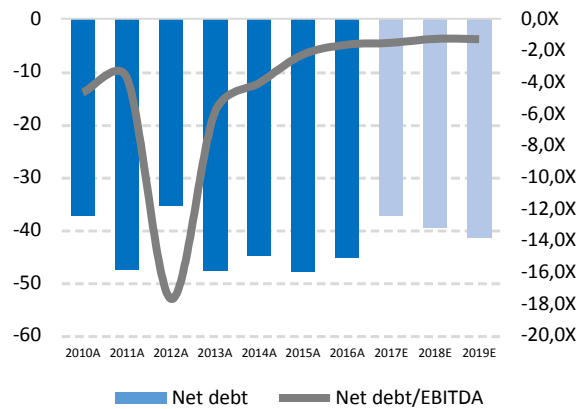


**GROWTH & BALANCE SHEET**

**SALES GROWTH Y/Y**

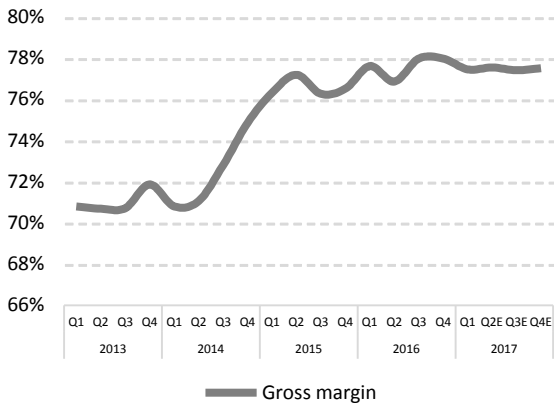


**NET DEBT & NET DEBT/EBITDA**

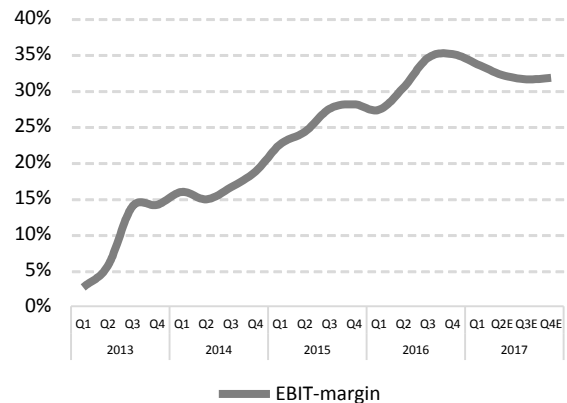


**MARGINS, ROLLING 12m**

**GROSS MARGIN (R12m)**

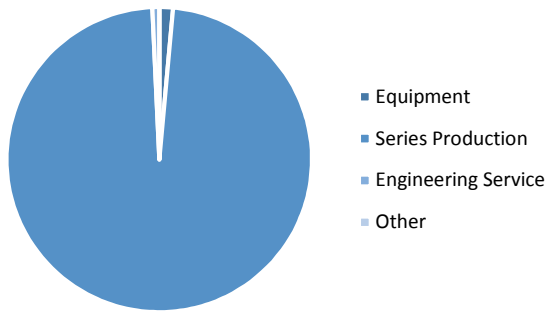


**EBIT-MARGIN (R12m)**

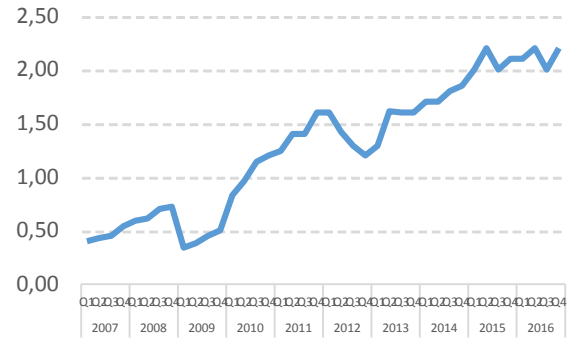


COMPANY SPECIFICS

SALES BREAKDOWN\*



SERIAL PRODUCTION, MOTOR EQUIVALENTS/YR (MILLION)\*\*



\* Per 2016, \*\* Per quarterly reports

COMPANY DESCRIPTION

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